

Choosing an Annuity Option





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What is an Annuity?

An annuity is a Wisconsin Retirement system benefit paid monthly. There are different types of annuities available called annuity options. A person who receives monthly benefit payments is called an annuitant.

All annuities are payable for the lifetime of the annuitant except annuities from additional contributions paid for a period certain. You have a choice of different types of annuity options. The option you select will determine whether death benefits will be payable to your beneficiary(ies) after your death and the amount.

A “For Annuitant’s Life Only” option terminates upon your death, with no death benefits payable. Guaranteed payment options have a set number of payments guaranteed; if you die before the guaranteed period has expired, your beneficiary(ies) will receive the remainder of the guaranteed payments. Joint and survivor options provide for a “named survivor,” which means your named survivor will receive a lifetime annuity if he/she survives you.

If you select a joint and survivor annuity, the age of your named survivor is an important factor in calculating the amount of annuity to be paid. The benefit amount is calculated using rates which reflect the life expectancy of both you and your named survivor.



Annuity Options Available

FOR ANNUITANT’S LIFE ONLY (No Death Benefit)

This option is payable to you for life. The monthly annuity payment will terminate at your death. No death benefit is payable to your beneficiary(ies).

LIFE ANNUITY With 60 Payments Guaranteed

This option is payable to you for life. If you die before 60 monthly payments have been made, the remainder of the 60 monthly payments are paid to your beneficiary(ies).

LIFE ANNUITY With 180 Payments Guaranteed

This option is payable to you for life. If you die before 180 monthly payments have been made, the remainder of the 180 monthly payments are paid to your beneficiary(ies).

The number of guaranteed payments may be less than 180 based on your life expectancy according to actuarial tables. If you die before the number of guaranteed payments have been made, the remaining payments are paid to your beneficiary(ies).

JOINT AND SURVIVOR ANNUITY 75% Continued to Named Survivor

This option is payable to you for life. You must indicate one named survivor, which can be changed only if we receive your written request within 60 days after the date of your first payment. When you die, your named survivor will receive 75% of the annuity for life that was paid to you. If your named survivor dies before you, the annuity stops upon your death. If your named survivor dies within the first five years after your annuity effective date, your annuity will increase to the amount that you would have been receiving if you had selected the “For Annuitant’s Life Only” option.

This option is not available if your named survivor is more than 19 years younger than you and is not your spouse.

JOINT AND SURVIVOR ANNUITY 100% Continued to Named Survivor

This option is payable to you for life. You must indicate one named survivor, which can be changed only if we receive your written request within 60 days after the date of your first payment. When you die, the named survivor will receive the same amount of annuity for life that was paid to you. If your named survivor dies before you, the annuity stops upon your death. If your named survivor dies within the first five years after your annuity effective date, your annuity will increase to the amount that you would have been receiving if you had selected the “For Annuitant’s Life Only” option.

This option is not available if your named survivor is more than 10 years younger than you and is not your spouse.

JOINT AND SURVIVOR ANNUITY Reduced 25% on Death of Annuitant or Named Survivor

This option is payable to you for life. You must indicate one named survivor which can be changed only if we receive your written request within 60 days after the date of your first payment. When you die or your named survivor dies, the survivor will receive 75% of the amount of the annuity previously paid. If your named survivor dies first, your annuity reduces by 25%.

This option is not available if your named survivor is more than 19 years younger than you and is not your spouse.

JOINT AND SURVIVOR ANNUITY 100% Continued to Named Survivor Combined with 180 Payments Guaranteed

This option is payable to you for life. You must indicate one named survivor, which can be changed only if we receive your written request within 60 days after the date of your first payment. You may also list designated beneficiaries, which can be changed at any time during the 180 month guarantee period. When you die, your named survivor will

receive the same amount of annuity for life that was paid to you. If both you and your named survivor die before 180 payments have been made, the remainder of the 180 monthly payments are paid to the designated beneficiary(ies).

This option is not available if your named survivor is more than 10 years younger than you and is not your spouse.

LIFE ANNUITY WITH ACCELERATED PAYMENTS

These options are available only if you have not reached age 62 on your annuity effective date. Accelerated payment options provide a life annuity (one of the seven described previously), plus a temporary portion paid **until you reach age 62 or die, whichever comes first. This means that if you die before reaching age 62, the death benefit will be based on the after age 62 annuity amount.**

If your named survivor dies before you and you chose the reduced 25% option, then only the after age 62 portion of your annuity reduces by 25%. The temporary accelerated portion is not reduced.

The temporary portion of your annuity begins as an estimated amount of what your Social Security benefits may be at age 62. We do not obtain this from your Social Security records. It is calculated based on tables that assume full career employment covered under Social Security. **This amount may be significantly different than your actual Social Security benefit at age 62.**

These options provide a higher WRS annuity until you reach age 62, when you can apply for Social Security benefits. When you reach age 62, your WRS annuity will reduce to the after age 62 (lifetime) amount including annual core (previously referred to as the fixed fund) and variable adjustments earned on the lifetime portion. The intent is that your age 62 Social Security benefit will replace some or most of the temporary portion of your annuity that ends at age 62.

The temporary portion of your annuity changes with applicable annual core and variable ad-

justments until age 62. At age 62, the temporary portion of your annuity (including all accumulated increases) ends. These WRS annual increases may exceed increases in Social Security benefits. Therefore, the temporary portion may be greater than your actual Social Security benefit.

To limit the reduction in your total income at age 62, we encourage you to contact your Social Security Administration (SSA) office for a projection of your Social Security benefits. We recommend that you request your projection for the age you plan to stop working (this will be more accurate when you reach age 62). You can call the SSA at 1-800-772-1213. If you provide a copy of the projection to this Department and your “stop working age” is within one year of your age on your WRS retirement effective date, we will use this Social Security benefit projection when calculating your accelerated payment option amounts.

Caution: If your before age 62 amount is increased, your after age 62 lifetime amount will be lower. This means the death benefit will be lower.

If you are a protective category employee not covered under Social Security (firefighter), but have other employment covered under Social Security, you may be eligible for the accelerated payment options. If you are interested in receiving estimates for these options, please send us a copy of your age 62 Social Security benefit projections from the Social Security office. The SSA must be made aware that your current government employment is not covered by Social Security. We will then calculate your accelerated payment options using the projected age 62 amount.

The accelerated payment options are paid in two portions:

1. A reduced monthly annuity for life in one of the seven options described earlier.
2. A temporary portion of your annuity payable monthly, terminating at death or with payment due in the month following the month you attain age 62. For example, if you become 62 in December, your January 1 check will be the last one with the temporary portion.

Regardless of any change in the before and after age 62 amounts, your option can be changed

only within the 60-day period explained in the “CHANGING OPTIONS” section.

Contact your local SSA office before you reach age 62 for information about applying for your Social Security benefits.

PRESENT VALUE LUMP SUM PAYMENT

This includes employer contributions and employee contributions. It may be selected if the “For Annuitant’s Life Only” annuity (no death benefit) is less than \$302* per month. It must be selected if the “For Annuitant’s Life Only” annuity is equal to or less than \$149* per month. Any additional contributions will be included in your payment with no separate application necessary.

*The \$149 and \$302 amounts apply to annuities beginning in 2006. These amounts increase annually.

Annuity Option Selection

You select an annuity option at the time you apply for retirement by completing a retirement benefit application. Upon request, the Department provides estimates which can be used to compare the monthly amounts available under the different options. You should request estimates at least 6-8 months but no more than 12 months before your anticipated retirement date.

When choosing an annuity option, you should consider all of the assets in your estate such as life insurance, home, investments, savings, etc., to determine what type of survivor protection, if any, is needed.

A thorough understanding of the various options will assist you in making the selection that will best meet your needs. If you do not fully understand each of the options, you should contact our Department before completing a benefit application.

Spousal Consent on Option Selection

Depending on the option you select, your spouse may be required to sign your retirement application. Spousal consent is required on all annuity applications for required contributions if you select any option other than a joint and survivor option with your spouse as named survivor. Spousal consent is not required if:

- you select a joint and survivor option with your spouse as named survivor;
- you are applying for an annuity from additional contributions only; or
- you have been married to your spouse less than one full year immediately preceding your annuity effective date, or you are legally separated from your spouse on your annuity effective date.

NOTE: A spouse should NOT sign the spousal consent if he/she wants to preserve his/her spousal rights to being the named survivor for a joint and survivor annuity option.

Changing Options

The Department must receive your request to change your annuity option from one monthly option to another within 60 days after the date of your first payment. Your spouse's signature may be required for an option change. Your request can be made using the *Retirement* (ET-4319) or *Disability* (ET-5333) *Annuity Option Change Application* form. If you apply for a lump sum payment and wish to change to a monthly option, or if you apply for a monthly option and wish to change to a lump sum payment, you must cancel your application and reapply.

Since the time period in which you can change your annuity option is short, it is especially important to carefully consider your annuity option selection before you apply.

Canceling Your Application

The Department must receive your written request to cancel your application no later than the last working day before the 21st of the month in which your first monthly benefit payment is dated. To cancel your application for a lump sum payment, the Department must receive your written request to cancel no later than the day before the date of the lump sum check. Once you have canceled your application it will have no force or effect and any later application will be treated as an original application.

Relative Values of Annuity Options

Each of the annuity options produces a different monthly benefit amount because each option has a different guaranteed payment period. The total amount required to fund the benefit is the same no matter which option is selected. The differences simply reflect the varying guarantees. A longer guarantee period provides a higher death benefit than a shorter guarantee period. The higher death benefit is funded by reducing the monthly benefit payable. No "bargain" can be found by "shopping" among the various options; the best option is the one that meets your individual needs.

The following table illustrates, for comparison purposes only, the differences in the amounts that would be payable under the various annuity options. The examples are based on a "For Annuitant's Life Only" monthly annuity of \$200.

	Example A	Example B	Example C
Annuitant's Age	65	65	62
Named Survivor's Age	62	70	65
Annuity Option Type	Monthly Amount	Monthly Amount	Monthly Amount
For Annuitant's Life Only	\$200	\$200	\$200
Life Annuity with 60 Payments Guaranteed	\$198	\$198	\$198
Life Annuity with 180 Payments Guaranteed	\$183	\$183	\$188
*Joint Survivor Annuity-75% Continued to Named Survivor	\$172	\$184	\$183
*Joint and Survivor Annuity-100% Continued to Named Survivor	\$165	\$179	\$178
*Joint and Survivor Annuity-Reduced 25% on Death of Annuitant or Named Survivor	\$177	\$195	\$191
*Joint and Survivor Annuity-100% Continued to Named Survivor with 180 Payments Guaranteed	\$163	\$175	\$176

*The amounts under the joint and survivor options are based on the age of both the annuitant and the named survivor. All other options are based solely on the age of the annuitant. Different age combinations produce different results.

The amounts payable as an accelerated payment annuity are shown in the chart below, assuming a general category annuitant age 60, with 30 years of service, named survivor age 58, and a Social

Security benefit (temporary portion) for the participant of \$613 at age 62 based on final average monthly earnings of \$1,500. The \$613 is based on 2006 tables.

Accelerated Payments With These Annuity Options	Total WRS Payment Before Age 62	Temporary Portion	WRS Payment After Age 62 - Life Annuity
For Annuitant's Life Only	\$1,250	\$613	\$637
Life Annuity with 60 Payments Guaranteed	\$1,246	\$613	\$633
Life Annuity with 180 Payments Guaranteed	\$1,222	\$613	\$609
*Joint Survivor Annuity-75% Continued to Named Survivor	\$1,183	\$613	\$570
*Joint and Survivor Annuity-100% Continued to Named Survivor	\$1,164	\$613	\$551
*Joint and Survivor Annuity-Reduced 25% on Death of Annuitant or Named Survivor	\$1,198	\$613	\$585
*Joint and Survivor Annuity-100% Continued to Named Survivor with 180 Payments Guaranteed	\$1,162	\$613	\$549

Additional Contributions

Under Wisconsin Statute Section 40.05 (1) (a) 5, additional contributions that you have made to your account can be paid as follows:

- A lump sum payment.
- A life annuity is available if the amount, when combined with your required life annuity, is more than \$149* per month and both annui-

ties begin on the same date. However, if the begin dates are different, your additional life annuity alone must be more than \$149* per month.

- An annuity certain. An annuity certain is paid monthly for a specified period of time with the following restrictions:
 1. The number of monthly payments must be a minimum of 24 months and a maximum of 180 months.

- The amount of the annuity certain must be more than \$149* per month.

*The \$149 amount applies to annuities beginning in 2006. This amount increases annually.

If you die before the specified number of payments have been made from the annuity certain, your beneficiary(ies) will receive the remaining monthly payments.

The monthly amount as an annuity certain depends upon the payment period chosen (24 to 180 months) and the amount of money in your additional contribution account. The following table shows the amount payable per month for each \$1,000 in your additional contribution account.

Number of Months Paid	Monthly Amount Provided By \$1,000	Number of Months Paid	Monthly Amount Provided By \$1,000
24	\$43.82	108	\$11.46
36	\$29.92	120	\$10.55
48	\$22.98	132	\$ 9.81
60	\$18.82	144	\$ 9.19
72	\$16.05	156	\$ 8.67
84	\$14.08	168	\$ 8.23
96	\$12.61	180	\$ 7.85

Examples

Additional Accumulation	Number of Years Payable	Monthly Amount
\$ 1,000	2 Yrs. (24 Payments)	\$ 43.82
\$ 5,000	15 Yrs. (180 Payments)	\$ 39.25
\$10,283	3 Yrs. (36 Payments)	\$307.67
\$10,283	15 Yrs. (180 Payments)	\$ 80.72

Additional lump sum payments and annuity certain paid over a period of less than ten years are eligible for a direct rollover of the taxable portion of the payment. You must apply for the rollover when you apply for your benefit.

Additional contributions paid by your employer can be paid only as a life annuity.

Wisconsin statutes limit the optional forms of payment in which you can receive your WRS contributions; this could affect when your benefit must begin to meet this requirement. For further information about meeting the federal minimum distribution requirement, please contact the Internal Revenue Service or your tax consultant.

Minimum Distribution Requirements

If you are no longer employed in a position covered under the WRS, federal and state laws require that you receive a minimum distribution amount each year beginning with the year in which you reach age 70½. This requirement applies to both required and additional contributions. If you fail to meet the minimum distribution requirement, you may be subject to substantial federal taxes as a penalty.

Great effort has been made to ensure that the information in this circular is accurate. However, if there is any conflict between the information and the law, the law must be followed.

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provisions of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call (608) 266-3285 or TTY (608) 267-0676. We will try to find another way to get the information to you in a usable form.

For Additional Information

Contact the Department of Employee Trust Funds

Self-Service Toll Free Telephone Services

Available 24 hours a day, seven days a week. You must have a touch-tone telephone to use these systems.

SELF-SERVICE LINE: Call 1-877-383-1888 or (608) 266-2323 (local Madison) to request forms or brochures. Wisconsin Retirement System annuitants may also change their home mailing address or tax withholding election through this self-service line.

TELEPHONE MESSAGE CENTER: Call 1-800-991-5540 or (608) 264-6633 (local Madison) to hear detailed recorded messages covering a variety of Wisconsin Retirement System topics.

Note: You will not be able to talk to a "live" person using these systems. To speak to a benefits specialist, call the telephone numbers listed below.

Visit our Internet Site

Access the internet site at: etf.wi.gov. A tremendous amount of information is online regarding the Wisconsin Retirement System and other benefit programs. You may e-mail the Department through this site.

Call During Office Hours

Office Hours: 7:45 am to 4:30 pm, Monday through Friday
(except holidays)

Telephone: 1-877-533-5020 (toll free)
(608) 266-3285 (local Madison)
(608) 267-0676 (Teletypewriter for hearing & speech impaired)

Write Us

Department of Employee Trust Funds
P. O. Box 7931
Madison, WI 53707-7931

Visit Us

Appointments: (608) 266-5717

Madison: **An appointment is recommended**
801 West Badger Road

Waukesha: **An appointment is required**
141 N. W. Barstow Street, Rm. 411, in Waukesha

Department of Employee Trust Funds

Wisconsin Retirement System

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